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COPY NO. 68

OCI NO. 0413/62

20 April 1962

CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

State Dept. review completed

DIA review(s) completed.

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THE WEEK IN BRIEF
(Information as of 1200 EST 19 Apr)

SOVIET FOREIGN POLICY DEVELOPMENTS Page 1

On the eve of Secretary Rusk's 16 April talk with Soviet Ambassador Dobrynin, an authoritative Izvestia article stated that new guarantees for Western access to Berlin could be negotiated without difficulty if the West agreed to a change in the status of West Berlin which would terminate the "occupation regime." This demonstration of Soviet willingness to move ahead in Berlin talks, however, was overshadowed by Khrushchev's [redacted]

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[redacted] maneuvers to place the USSR in a strong position to exploit the resumption of US atmospheric tests. [redacted]

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CHINESE COMMUNIST NATIONAL PEOPLES CONGRESS Page 5

Citing "tremendous difficulties" on the economic front, Premier Chou En-lai presented to the National People's Congress a program of retreat and adjustment that gives priority to agricultural recovery rather than industrial expansion. Chou also advanced a program aimed at shoring up popular support for the regime. Mao Tse-tung and the other authors of policies leading to the present crisis are apparently still powerful enough to deflect criticism from themselves. Chou's remarks on international affairs and recent Soviet comments and actions indicate that, while both sides wish to muffle the controversy as much as possible, neither has modified its basic positions on issues in dispute. [redacted]

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ISRAEL AND SYRIA Page 8

Further trouble along the Israeli-Syrian border seems likely. Israel has categorically rejected the UN Security Council's resolution on 9 April condemning Israel's attack on Syria, and has attacked the objectivity of General von Horn as chief of staff of the UN Truce Supervision Organization. Syrian fishing boats are again operating on Lake Tiberias, and the Israelis have moved a limited number of tanks and heavy equipment toward the border area. The composition of Syria's new transitional cabinet, which contains only one prominent political figure, represents a considerable shift to the left. This may lead to a gradual improvement in relations with Egypt. The army, despite continued factionalism, remains the dominant factor in Syria. [redacted]

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FRANCE-ALGERIA Page 10

The provisional Algerian government (PAG) on 18 April again publicly criticized French failure to curb OAS terrorism against Moslems in Algiers and Oran, and there are indications that Moslem restraint is beginning to crack. The new French cabinet's steps to move immediately against

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the OAS--including appointment of a new commander in chief in Algeria--are probably intended to reassure the PAG. Plans to restore order in Oran, the worst trouble spot, may be difficult to implement even with the reinforcements being sent there. The PAG, now meeting in Tunis, is trying to integrate Ben Bella and the other recently liberated ministers into the active Algerian leadership. A power struggle could develop

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THE NEW FRENCH CABINET Page 12

The cabinet Premier Georges Pompidou will present for investiture soon after parliament reconvenes on 24 April is similar to Debré's. Pompidou himself, although long a loyal Gaullist, has the reputation of not hesitating to disagree with the President on specific issues. Despite De Gaulle's desire to allay parliamentary opposition, early difficulties with National Assembly opponents of the growth of presidential power are in prospect.

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CONGO Page 13

The stalemated talks concerning Congolese unification were recessed by Adoula on 16 April. The central government's attempt to prevent Tshombé's departure for Elisabethville on 18 April, despite public UN guarantees of his freedom of movement, may further inflame anti-Adoula sentiment in southern Katanga. UN representative Gardiner has informed Tshombé that he expects talks to resume no later than 24 April and that Tshombé should come forth with concrete proposals at that time. However, it may be difficult to bring the two together again.

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ARGENTINA Page 14

Renewed demands by top military leaders that President Guido take immediate steps to ban the Peronistas from all political activity may cause the Chamber of Deputies to speed up a decision on the Peronista electoral victories. Elements of the two major political parties are discussing a compromise formula calling for the Chamber to seat the 47 new Peronista deputies on 1 May and for the Peronistas to agree to the federal government's taking control of the provinces where Peronistas won the governorships. Action on the Peronista question has been delayed by differences within most political parties and among the military. A Chamber committee is to pass on the seating of newly elected deputies by 26 April.

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LAOS Page 15

A new coalition proposal by Vientiane provides for neutralist control of defense and interior in a cabinet headed by the King. This appears designed to shift the onus of inflexibility onto Souvanna Phouma. Vientiane is planning to send "friendship missions" to several Southeast Asian nations to seek diplomatic and financial support. Antigovernment units are maintaining pressure on Nam Tha as well as in the Saravane-Attopeu area in southern Laos.

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ETHIOPIA - SOMALI REPUBLIC Page 16

Relations between Ethiopia and the Somali Republic, already strained because of religious, cultural, and tribal differences, have recently worsened. Government officials in both states appear to be attempting to control forces in the border areas, but the rise in tension has increased the likelihood of fighting between Somali nomads and Ethiopian villagers. An incident might be seized upon by an Ethiopian troop commander as an occasion to strike at Somali targets across the border. [REDACTED]

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GUATEMALA Page 17

The death of four students following a clash with military police on 12 April has led to demands by the main anti-Communist opposition parties, supported by some professional and labor groups, that President Ydigoras resign. Ydigoras apparently regards the present threat to his regime as more serious than that posed by the rioting in mid-March; he made a conciliatory speech on 15 April and has subsequently sent his family abroad. The military leaders profess loyalty to the President, but their continued support is by no means assured. [REDACTED]

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EL SALVADOR Page 18

The presidential election set for 29 April will be the culmination of efforts by the army-backed reform group to give El Salvador a constitutional government committed to overdue social and economic reforms. The government candidate, Colonel Julio Rivera, is unopposed; all opposition parties are boycotting the election, charging it will be rigged in favor of the widely popular government party.

[REDACTED]
Rivera will probably take office on 1 July as scheduled, since the armed forces continue to support him. [REDACTED]

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ECUADOR Page 19

President Arosemena, who has adopted a program of moderate social reform, continues under heavy pressure from both right and left. Military leaders, who forced him to break diplomatic relations with Cuba on 2 April, still threaten to overthrow him unless he rids his government of "Communists"--thus far unidentified. A Communist-front group staged an abortive rising on 5-6 April, and the Communist party seems to be preparing for guerrilla warfare. [REDACTED]

KHRUSHCHEV AND THE SOVIET LEADERSHIP Page 20

Khrushchev, who was 68 years old this week, appears to be in generally fair health, but there are signs that he is beginning to slow down. There is no indication that his leadership is challenged or that there is any increase in

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political maneuvering in the party presidium in preparation for a succession struggle. During Khrushchev's extended absences from Moscow, party Secretary Kozlov and Deputy Premier Kosygin seem to have the primary "caretaker" responsibilities for party and government affairs respectively.

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SOVIET ECONOMY IN FIRST QUARTER 1962 Page 21

Soviet industry in the first three months of 1962 continued to perform at a high tempo, with rates of increase little changed from a year ago. A TASS summary of results reported that industrial output increased over 9 percent, well above the pace needed to achieve the objective of the Seven-Year Plan (1959-65). The 5-percent increase in industrial productivity, although still below both the planned rate for 1962 and the Seven-Year-Plan rate, marks some improvement over 1961. Investment and construction data, which during 1961 indicated possible future difficulties for the economy, are not included in the first-quarter summaries.

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SOVIET BLOC OIL EXPORTS Page 22

The Soviet bloc last year exported to nonbloc countries more than 30 million tons of crude oil and petroleum products, a quantity valued at about \$500,000,000 and constituting a 25-percent increase over 1960. Exports by the bloc in 1961 filled about 3 percent of total nonbloc demand for petroleum. Prices for bloc petroleum are generally lower than world market prices, and the bloc encourages barter arrangements. Present indications are that bloc petroleum exports in 1962 may rise another 10 percent.

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BURMA UNDER NE WIN'S MILITARY REGIME Page 24

Ne Win's military regime, now in its second month, has been marked by a drive for discipline, efficiency, and austerity--qualities notably lacking in Burma under civilian rule. Pledged like previous regimes to a neutral foreign policy and to socialism at home

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FINLAND Page 25

President Kekkonen's success in obtaining a majority coalition government further strengthens his already firm control over foreign policy and internal affairs in Finland. The new cabinet, which controls 112 of the 200 seats in parliament, consists of Agrarians, Conservatives, Liberals, representatives of the Swedish People's party, and three extraparlimentary ministers from the Communist-influenced Central Confederation of Trade Unions (SAK). Kekkonen wanted SAK participation to counterbalance the Conservatives and mollify the USSR.

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SPECIAL ARTICLES

SOVIET FLIGHT ACTIVITY IN BERLIN AIR CORRIDORS Page 1

With the cessation of scheduled Soviet military transport flights in the corridors, the USSR has ended, temporarily at least, its probing of Western determination to maintain air access to Berlin.

Moscow's evident aim was to support its broad political objective of altering the status of West Berlin.

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BRIEFS

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****WEEKLY REVIEW****SOVIET FOREIGN POLICY DEVELOPMENTS**

The Soviet leaders last week gave further indications of their desire to maintain contact with the US for further exchanges on a Berlin settlement. On the eve of Secretary Rusk's 16 April talk with Soviet Ambassador Dobrynin, an authoritative Izvestia article underscored Moscow's view that new guarantees for Western access to Berlin could be negotiated without difficulty if the West agreed to a change in the status of West Berlin which would terminate the "occupation regime." This demonstration of willingness to move ahead in Berlin talks, however, was overshadowed by Soviet maneuvers to place the USSR in a strong position to exploit the resumption of US atmospheric tests.

The Nuclear Test Issue

Moscow apparently anticipates that the weeks immediately ahead will be dominated by the nuclear testing issue. Khrushchev's denunciation

was followed by a Soviet call for a moratorium on tests and acceptance of the "compromise" control proposals advanced by the eight neutral nations at Geneva as a basis for further negotiations.

Soviet tactics at Geneva have been aimed at portraying the bloc delegations as closely aligned with the eight neutral-nation delegations against the US and Britain. Soviet chief delegate Zorin promptly endorsed India's call for a moratorium on all testing for the duration of the conference. He warned that US tests would have serious consequences for the negotiations and challenged the US and Britain to accept a moratorium. Zorin also characterized the US-UK joint statement as a blatant maneuver to fix responsibility on the USSR for the impending Western tests and charged that the US now is interested only in justifying its tests. The Soviets are attempting to create the impression that US and British rejection of a moratorium is a direct rebuff to the eight neutrals.

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Zorin's acceptance on 19 April of the eight neutralists' "compromise" proposal for a control system as a basis for further negotiations was a further maneuver to demonstrate the USSR's support of neutralist efforts to break the impasse at Geneva. He coupled this with a renewed call for a moratorium on testing for the duration of the negotiations. Moscow clearly hopes these moves, which are designed to appear as acceptance of the principle of international inspection and verification of unidentified events in the USSR, will blur the issue of Soviet rejection of an effective inspection system and maximize the political costs to the US and Britain of proceeding with atmospheric tests.

Zorin interpreted the neutralists' proposal, which would base an inspection and control system on existing national detection networks, as an endorsement of most of the USSR's position. He contended that the provision that the nuclear powers could "invite" the proposed international commission of scientists to conduct on-site inspections does not carry a clear obligation to allow such inspections. He added, however, that this does not mean that the Soviet Union will necessarily refuse to permit inspections.

It is likely that Moscow will make further moves prior to the resumption of US tests

to demonstrate its professed desire for a test ban agreement and the alleged US and British opposition to any proposals which might delay their test series. The Supreme Soviet session which convenes on 23 April may be used as the forum for issuing new appeals for a test moratorium while negotiations proceed on the neutralists' proposal.

Despite these patent maneuvers to attach sole blame on the West for another round of nuclear tests by both sides, the tactics at Geneva have underlined the Soviet leaders' unwillingness to pay the price of meaningful concessions to forestall US tests. They appear confident that international pressures will oblige the US to make further modifications in its position. A member of the Soviet delegation frankly acknowledged to a US official that, in the USSR's view, the control provisions worked out by bloc and Western scientists at Geneva in 1958 are dead; he predicted that the US eventually would come to accept the Soviet stand on a test ban based on national detection systems. Moscow's negative attitude was also reflected in the absence of any reference to a test ban in the 1962 May Day slogans.

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bloc delegations may withdraw from the disarmament talks in protest against the resumption of US atmospheric tests.

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A ranking member of the Soviet delegation, however, conveyed the impression to a US official on 13 April that the USSR will not stage a walk-out, but he tried to leave some doubt about Soviet intentions. It is unlikely that the bloc could win the support of the nonaligned delegations for such a maneuver. Sentiment among these delegations for a breakoff or an indefinite recess after the US resumes testing appears to have weakened. The Burmese delegate recently told Ambassador Dean that the eight neutrals did not have a concerted plan for a walk-out.

Berlin and Germany

Moscow probably regards the bilateral talks on Berlin which resumed in Washington on 16 April as a holding operation pending developments on the nuclear testing front.

[] the Soviets are prepared for a period of recriminations on testing which will at least temporarily reduce prospects for movement toward a Berlin settlement. There are no indications, however, that this agitation will result in any immediate hardening of the Soviet position on Berlin or any sharp intensification of harassments of Western access to the city.

Bloc propaganda contains no warning that Moscow is in any hurry to bring the Berlin situation to a head in the near

future. The Izvestia article--signed by Polyakov, who authored a series of authoritative comments on Berlin in January and February--left the impression that Moscow envisages a series of high-level talks; it avoided any suggestion that the Soviets might break off and sign a separate peace treaty with East Germany. The article sought to convey Moscow's readiness to enter serious bargaining on an international access authority by reaffirming the proposal made last month by East German party chief Ulbricht that an arbitration body composed of the guarantor countries be established in connection with a new Berlin agreement. This scheme is designed to provide a facade of continuing Soviet responsibility for Allied access by stipulating that the USSR would act as the arbitration body's agent in settling any access disputes which may arise between East Germany and the West.

Although both Izvestia and the Ulbricht speech called for the replacement of Western "occupation troops" by UN or neutral contingents, an East German deputy foreign minister hinted in a recent interview with an Indian correspondent that token Western forces might remain in West Berlin. He added that Ulbricht's proposed arbitration body was only a first step to solve the problem, and that further measures to meet Western objections "are not excluded."

The East German press has described reported US ideas

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on an international access authority in which East Germany would play a role as an "approach to reality" and asserted that the US-Soviet talks "have not been so negative as the Bonn troublemakers had hoped." Paul Verner, a high-level East German party spokesman, stated on 14 April that while the situation in West Berlin cannot remain unchanged, this problem "must be regulated" before the conclusion of a separate peace treaty. This was the most explicit statement to date by an East German official that the bloc governments do not expect to sign a treaty until prior arrangements on the status of West Berlin and access to the city are negotiated with the West.

In a further reflection of the USSR's desire to improve the atmosphere in Berlin in light of favorable prospects for continued East-West talks, Marshal Konev has been replaced as commander of Soviet forces in East Germany by Colonel General Yakubovsky. Konev's recall followed by a few days the announcement that General Clay would return to the US. Konev was sent to East Germany in August 1961 in a move closely related to the decision to seal the Berlin sector boundaries and reflecting Khrushchev's desire to place a close associate in this key position during a period of greatly increased tension in Berlin.

While the USSR maintains its suspension of flight activity in the Berlin air corridors, it is continuing low-key efforts to secure advance notification from US military authorities for the movement of small convoys on the autobahn to Berlin. In the past, the US has given prior notification of convoys of eight or more vehicles in

order to facilitate processing at the border crossings. On 13 April, in the fourth such incident during the past week, the Soviets objected to the movement of a six-vehicle convoy without prior notification, but they have not imposed any prolonged delays.

Outer Space

In a recent conversation with a US Embassy officer, a Soviet Foreign Ministry official emphasized that cooperation in outer space could serve as a symbol for the improvement of US-Soviet relations and perhaps as a "touchstone" for progress in other areas. He said that in order to be consistent with the Soviet position at the Geneva disarmament conference, 25X1 Khrushchev had sidestepped the President's suggestion for an exchange of tracking equipment on the grounds that this could present an opportunity for US access to Soviet territory. The official said, however, that this should not deter agreement in other areas enumerated by Khrushchev.

The official also expressed interest in an agreement which would preclude the use of outer space for experiments obstructing or hindering future research. Such an agreement could be used by the Soviets as the basis for objecting to satellites of the Samos type. In the recent US-Soviet bilateral talks in New York on joint cooperation in outer space research, the Soviet delegation broached but later withdrew a call for discussion of a ban on reconnaissance satellites. A Soviet delegate at the Geneva conference recently informed a US delegate that a separate ban on nuclear weapons in outer space is not acceptable if it "involves inspection."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****CHINESE COMMUNIST NATIONAL PEOPLES CONGRESS**

Citing "tremendous difficulties" provoked by three consecutive years of "serious natural calamities," Chinese Communist Premier Chou En-lai presented a program of retreat and adjustment to the delegates attending the 1962 session of the National People's Congress (NPC), from 27 March to 16 April. Peiping's embarrassment and frustration over the failure of its "leap forward" policies for rapidly transforming China into a modern first-class power were underscored by the repeated postponements of the congress and by the secrecy which cloaked the meeting after it convened. Of the 164 speeches made to the congress, only a summary of Chou's "state of the union" address has been published.

Economic Problems

Chou's speech and the other official releases from the congress acknowledged the existence of problems in all sectors of the economy but shed no light on the details of the problems or the extent of the declines in industrial and agricultural production. For the first time, the state plan and budget were not presented to the congress. They will instead be referred for ratification to the elite body of the NPC, its Standing Committee. The regime's unwillingness to submit these documents to even a closed session of the congress suggests that the two-year blackout on release of economic information will continue.

Chou En-lai asserted in his report that economic conditions had "begun to improve," but a ten-point program which he laid out indicates that no sharp upturn is being projected for 1962. The program gives priority to agricultural recovery, calls for more consumer goods, and prescribes further cutbacks in construction projects.

Despite Chou's assertion that the extremist "leap forward" programs between 1958 and 1960 were correct, his speech made clear that these programs had been abandoned completely. A "free and detailed" discussion of Chou's report went on for almost three weeks, after which he had to make a second speech to answer questions from the delegates; clearly, the details of the shift were controversial.

Political Problems

In addition to formalizing the broad retreat on the economic front, Chou advocated a number of measures designed to shore up faltering popular support for the regime. He said through 1966, and possibly longer, the regime will continue to pay capitalists interest on their confiscated holdings, although such payments could have ended this year under Peiping's original schedule. Intellectuals, most of whom Chou asserted now are loyal to Peiping, are also to receive more favorable treatment. Their status has gradually risen since the

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withdrawal of the Soviet technicians in 1960, when Peiping was suddenly made dependent on its own scientific and technical personnel.

Peiping's published material about the congress threw little light on the possibility of a major purge of individuals responsible for the mistaken leap forward policies. People's Daily on 16 April defended the essential correctness of the leap forward policies. This suggests that their authors are still influential enough in the hierarchy to deflect charges that they were responsible for the economic debacle.

Mao Tse-tung, the chief author of the leap forward, attended both the opening and closing sessions of the congress. Six full members of the politburo were not listed at all as attending the congress. Most of them, however, had not attended the last session of the NPC--in 1960--and their absence this year is not necessarily indicative of impending loss of positions. Similarly, the absences among lower levels of the party hierarchy do not warrant firm conclusions of an imminent purge.

International Relations

The summary of Chou's remarks to the congress indicates that he dwelt on the continuing need to unify the world's people in the struggle against

"US imperialism." Reflecting a growing sensitivity in Peiping to Chinese Nationalist plans regarding the mainland, the premier declared that "US military provocations and war threats," coupled with Chinese Nationalist "sabotage activities," made it necessary for the Chinese people to "heighten their vigilance" and build up the strength of their armed forces. The "liberate Taiwan" slogan did not appear in the official summary, however, and no sense of urgency was developed on the Chinese Communist goal of seizing the island.

In the key area of Sino-Soviet relations, Chou En-lai, according to the summary, followed the pattern of recent Chinese propaganda in trying to call attention to the community of Sino-Soviet interests without relinquishing fundamental Chinese positions in the dispute. Sops to Moscow included Chou's placing of a qualified approval of peaceful coexistence ahead of support for national liberation and his pro forma endorsement of negotiations with the West.

In other passages, however, Chou touched on Chinese positions which have long separated Peiping and Moscow. These included an emphasis on the need for constant struggle and a reiteration that the concept --objectionable to the USSR-- that the "east wind prevails over the west wind" is a proper

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guide for Communist strategy. Insistence on the correctness and continued vitality of the leap forward and the commune also demonstrated Peiping's continued adherence to formulations that have divided the two Communist giants.

The Sino-Indian border is another area in which Peiping refuses to modify its views to placate Moscow. Delegates to the Congress were instructed on the deterioration in Sino-Indian relations and given copies of last winter's exchange of notes between Peiping and New Delhi. Moscow regards China's stand in this matter as a reflection of narrow nationalism.

Moscow, too, has reaffirmed the basic concepts of its foreign policy. In the same 17 April issue of Izvestia which carried an account of the resolutions and communiqué of the NPC, a long article appeared dealing with the practice of "peaceful coexistence and international law," attacking Molotov and Stalinism, and defending Khrushchev's policy of "peaceful coexistence" between communism and capitalism.

In other areas, differences between the two countries continue to appear. At the 14th Soviet Komsomol Congress the Chinese delegate, who was sitting on the podium along with the speaker, refused to applaud a Soviet attack on Albania delivered by the head of the Komsomol. Furthermore, Soviet Foreign Min-

ister Gromyko arrived in Yugoslavia on 16 April to return Yugoslav Foreign Minister Popovic's visit last year. The Chinese continue to express their enmity to that country and its "revisionist" policies, and Gromyko's visit thus was made in complete disregard for Chinese views.

At the same time, attempts to muffle the controversy continue. The Soviet delegation which arrived in Peiping on 13 April to complete negotiations on trade "and other economic matters" for 1962 is headed by Minister of Foreign Trade Patolichev and is about the same level as last year's delegation. The presence in the delegation of a vice chairman from the Soviet State Committee for Foreign Economic Relations and references to "other economic matters" suggest that the sharply curtailed program of Soviet aid to China is being discussed. It is unlikely, however, that any significant improvement in this program will be negotiated. The need for China to build an "independent" national economy was stressed to the congress delegates.

Recent bloc trade pronouncements indicate that Soviet trade with China this year is expected to drop to less than \$1.1 billion--about half the peak year of 1959.

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ISRAEL AND SYRIA

Border Tension

Developments since the UN Security Council passed its resolution on 9 April condemning Israel's recent attack on Syria appear to portend further trouble along the border. On 10 April, Israel's Knesset, by a 76-3 vote, categorically rejected the Security Council resolution and reasserted Israel's right of self-defense and its sovereignty over all of Lake Tiberias. In a speech introducing the motion, Prime Minister Ben-Gurion strongly criticized the United States, which had cosponsored the UN resolution, and General von Horn of the UN Truce Supervision Organization (UNTSO) for applying a "double standard" in judging Israeli and Syrian actions. The Israelis objected to Von Horn's "inaccurate statements" and "distortions" in his report to the Security Council on the border clashes.

Syrian fishing boats are again operating on Lake Tiberias, and the Israelis claim that Syrian Army equipment has been seen on the lake shore. The Israelis have returned their patrol boat to the lake and have moved a limited number of tanks and heavy equipment toward the area. US Embassy officials in Tel Aviv are convinced that Israel will launch any new retaliatory operation in greater force because of the evident failure of the 16-17 March raid to intimidate the Syrians.

The Israelis tend to identify Syrian shootings with attempts to thwart implementation of their plans to use the waters of Lake Tiberias in their Jordan River diversion project. The chief question affecting the border situation is what the new Syrian regime intends to do about Israel's scheme.

Meanwhile, three road ambushes within the past week in the Negev wasteland of southern Israel have aggravated Israeli sensitivities about border conditions. Israel apparently believes bedouin marauders are responsible, and Jordan has indicated it will cooperate in efforts to control its border.

Syrian Cabinet

Syria's new transitional cabinet, formed on 16 April, is headed by a political non-enity--Bashir al-Azmah, a Syrian University Medical School professor who served as UAR minister of health from May 1959 to August 1960. Assumption of the key Defense Ministry post by army Chief of Staff Gen. Zahr al-Din, paralleling the practice during the Shishakli military dictatorship from 1949 to 1954, indicates that the army is the final arbiter. The remainder of the cabinet for the most part is composed of leftist-inclined technicians who will administer their departments but will show little initiative on policy.

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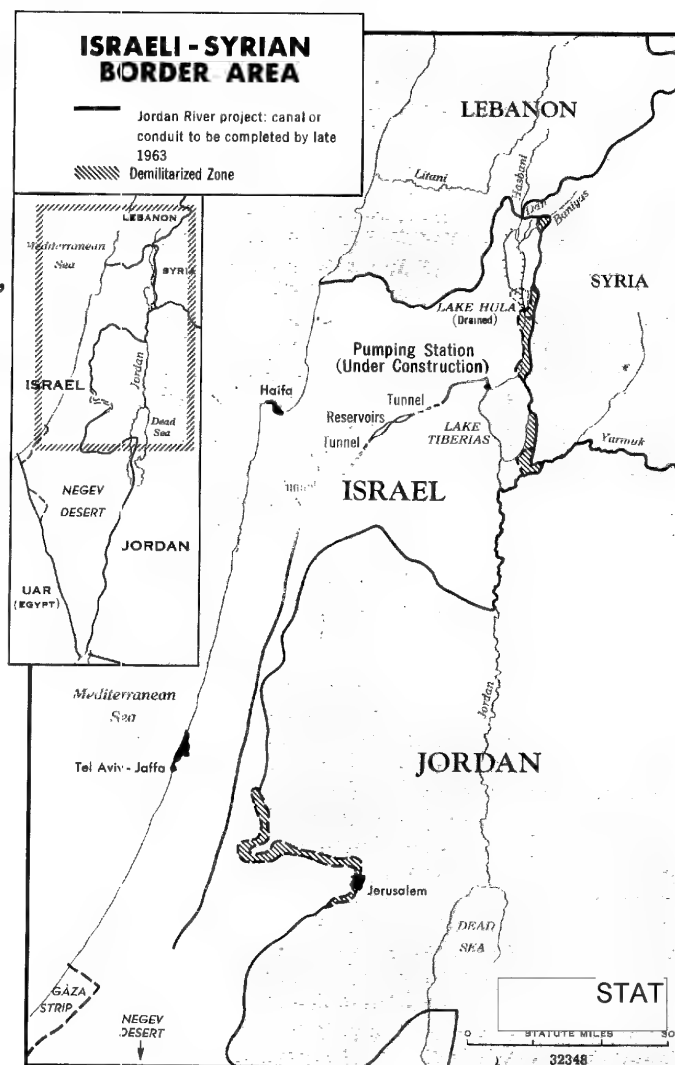
Although constituting a considerable shift to the left, the cabinet is anti-UAR.

Leftist pressure for cabinet representation has been recognized by the appointment of a majority of socialist-minded ministers. Prominent among them is pro-Baathist Ahmad al-Karim, a former army colonel, as minister of social affairs, labor, and agrarian reform. This is an office from which the Baath's socialistic goals may be furthered and its grass-roots strength augmented. In pre-UAR Syria, Abd al-Karim was a member of the Army's Revolutionary Command Council, which, in cooperation with other leftist elements and the Communists, pushed Syria into a strong pro-Soviet posture. He served for a time in the Syrian Region cabinet during the UAR era as minister of municipal and village affairs.

Another leftist gain has been the appointment of Abd al-Halim Qaddur to the influential post of minister of interior. Qaddur, a Baathist parliamentary deputy from 1954 to 1958, dropped his party affiliation after the union with Egypt and became a strong Nasir supporter, for which he was rewarded with the governorship of Latakia Province. There are indications that he may have returned to Baathist allegiance. In any case, he can be expected to follow a leftist line in a ministry which exerts considerable influence on the day-to-day affairs of the country and can rig elections.

Defense Minister Zahr al-Din may turn out to be a figurehead for the military junta ruling from behind the scenes. Syrian chiefs of staff traditionally have not been strong men

Conservative elements appear to be in a minority, holding only three posts to the socialists' seven. The only ranking politician is Populist Rashad Barmada, who is deputy premier and minister of education and agriculture. This is a consid-



erable change from the Dawalibi cabinet, with its reactionary Moslem Brotherhood complexion,

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****FRANCE-ALGERIA**

The provisional Algerian government (PAG) on 18 April again publicly criticized French failure to curb terrorism by the Secret Army Organization (OAS) against Moslems in Algiers and Oran, and there are indications that Moslem restraint is beginning to crack. The new French cabinet's steps to move immediately against the OAS--including appointment of a new commander in chief in Algeria--are probably intended to reassure the PAG. Plans to restore order in Oran, the worst trouble spot, may be difficult to implement, even with the reinforcements being sent there.

Air Force Lieutenant General Michel Fourquet, the new commander in Algeria, seems to have been appointed primarily because of his loyalty to De Gaulle, both in implementing France's NATO policy and during the 1961 military insurrection in Algeria, when he was named air commander there in place of a disloyal officer. Both his relative youth--he is 47--and the fact that the bulk of French forces in Algeria are army units may handicap his effectiveness, at least initially.

A French Foreign Ministry official told a US Embassy representative on 18 April that, despite blows sustained by the OAS in the first weeks after the cease-fire, the situations in Algiers and Oran last week had shown considerable deterioration. The French official noted that the Moslem Force Locale is still largely a paper organization, and complained that effective

operation of the mixed armistice commission is being delayed by "political infighting" among the rebels concerning their representatives.

French officials, including Minister for Algerian Affairs Joxe and ex-Delegate General Morin, have for some time been less optimistic about the government's chances of putting down the OAS in Oran than in Algiers. High Commissioner Fouchet reportedly admitted this week that the government had lost control of portions of the city. The European population of Oran, largely of Spanish descent, is said to have an even greater attachment to the OAS than that of Algiers.

The increased violence in Algeria began last weekend with a general strike and other protest measures following the death sentence imposed on ex-General Jouhaud, number-two OAS leader and a native of the Oran region. The government's current drive to smash the OAS, particularly in Oran, may be adversely affected by the obligatory review of Jouhaud's sentence, which the superior council of the magistracy will begin examining on 24 April. Eventually this will involve a personal decision by De Gaulle whether to exercise clemency.

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[redacted] ex-premier Georges Bidault [redacted] announced to Paris newspapers last week that a clandestine "National Resistance Council" was being set up in metropolitan France by OAS leader Salan.

Cairo, Baghdad, and Libya. The US Embassy in Tunis reports that he left no one in doubt as to his dominant position among Algerian leaders during elaborate welcoming ceremonies at the Tunis airport. In his speech he stressed his independent position by not referring in any way to the PAG, the Evian accords, or premier Ben Khedda. At one point he ignored both Ben Khedda and Tunisian President Bourguiba in order to embrace each member of an Algerian National Army (ALN) guard of honor.

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The PAG, now meeting in Tunis, is trying to reintegrate Ben Bella and the other recently liberated ministers into the active Algerian leadership. A power struggle could develop [redacted]

Ben Bella arrived in Tunis on 14 April, after visits to [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE NEW FRENCH CABINET

The cabinet which France's new premier, Georges Pompidou, will present for investiture soon after parliament reconvenes on 24 April is basically similar to Debré's in both personnel and party representation. In view of the close relationship between Pompidou and De Gaulle, the President's grand strategy will probably be loyally implemented, but perhaps with more flexibility than in the past because Pompidou does not have Debré's propensity for antagonizing people. Despite De Gaulle's desire to allay parliamentary opposition, early difficulties with National Assembly opponents of the growth of presidential power are in prospect.

Approximately two thirds of Pompidou's 29-member cabinet--mostly holdovers--are from the Gaullist Union for the New Republic (UNR). The overall orientation is slightly liberalized, with the rightist UNR associate of Debré, Christian de la Malene, giving way to the "left-wing Gaullist" Gilbert Grandval. The increased "European" influence of Popular Republican leaders Pierre Pflimlin and Maurice Schumann is somewhat offset by the nomination to a minor post of the leading UNR publicist on European integration, Alain Peyrefitte, whose ideas on the merits of confederation rather than federation seem to reflect De Gaulle's own views. Gaston Palewski, minister of state in charge of scientific research--which includes atomic energy--opposed a national nuclear weapons program when he held a similar position in 1955, but he is a faithful Gaullist and can be expected to adhere to De Gaulle's wishes.

Pompidou is already under fire from the leftist press for his Rothschild connections. French law permits him to retain his business holdings, and this will provide a continuing political issue.

As a confidant of De Gaulle, Pompidou has apparently deliberately refrained from airing his views on many subjects. Most

THE FRENCH GOVERNMENT

| PREVIOUS CABINET | CABINET ANNOUNCED 15 APRIL 1962 |
|---|------------------------------------|
| Prime Minister _____ Michel Debre (UNR) | Georges Pompidou* |
| Minister of State in Charge of Algerian Affairs _____ Louis Joxe* | |
| Minister of State in Charge of Cultural Affairs _____ Andre Malraux* | NO CHANGE |
| Minister of State in Charge of Overseas Departments and Territories _____ Louis Jacquinot (Ind) | |
| Minister of State in Charge of Scientific Research and Atomic and Space Questions _____ Pierre Guillaumat* | Gaston Palewski* |
| Minister of State in Charge of Cooperation _____ Jean Foyer (UNR) | Pierre Pflimlin (MRP) |
| Minister Delegate to the Prime Minister's Office for National Planning _____ NEW POST | Maurice Schumann (MRP) |
| Minister Delegate to the Prime Minister's Office for Relations With Parliament _____ Louis Terrenoire (UNR) | Roger Duseaux (UNR) |
| Minister for Foreign Affairs _____ Maurice Couve de Murville* | |
| Minister of the Interior _____ Roger Frey (UNR) | |
| Minister of Armed Forces _____ Pierre Messmer* | |
| Minister of Finance and Economic Affairs _____ Valéry Giscard d'Estaing (Ind) | |
| Minister of Public Works and Transportation _____ Robert Buron (MRP) | NO CHANGE |
| Minister of Agriculture _____ Edgar Pisani** | |
| Minister of Labor _____ Paul Bacon (MRP) | |
| Minister of Public Health and Population _____ Joseph Fontanet (MRP) | |
| Minister of War Veterans and War Victims _____ Raymond Triboulet (UNR) | |
| Minister for Construction _____ Pierre Sudreau* | Jacques Mazzi (UNR) |
| Minister of Justice and Keeper of the Seals _____ Bernard Chenot* | Jean Foyer (UNR) |
| Minister of Posts and Telecommunications _____ Michel Maurice-Bokanowski (UNR) | Jacques Morere (UNR) |
| Minister of Industry _____ Jean-Marcel Jeanneney* | Michel Maurice-Bokanowski (UNR) |
| Minister of Education _____ Lucien Paye* | Pierre Sudreau* |
| Secretary of State to Prime Minister for Information _____ Christian de la Malene (UNR) | Alain Peyrefitte (UNR) |
| Secretary of State to the Prime Minister for Muslim Social Affairs _____ Mlle. Nefissa Sid Cara* | |
| Secretary of State to the Prime Minister for Sahara, Overseas Departments and Territories _____ Jean de Broglie (Ind) | POST DROPPED |
| Secretary of State to the Prime Minister for Civil Service _____ | Jean de Broglie (Ind) |
| Secretary of State for Public Works _____ | NEW POSTS |
| Secretary of State for External Trade _____ | Pierre Dumas (UNR) |
| Secretary of State for Foreign Affairs _____ Georges Gorse* | |
| Secretary of State for Internal Commerce _____ Francois Misseffe (UNR) | NO CHANGE |
| Secretary of State for Repatriates _____ Robert Boulin (UNR) | |
| | Gilbert Grandval*** |

UNR - The Gaullist Union for the New Republic

Ind - Independent party

MRP - Popular Republican Movement

* Not affiliated with any party

** Member of the Democratic Left, a Radical Socialist splinter

*** Member of the Democratic Union of Labor, a left-wing Gaullist group

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

observers agree that his economic and social policy outlook is considerably more liberal than Debré's and that he is more wholeheartedly behind De Gaulle's Algerian policy. His attitudes toward NATO and European integration, however, are not well known

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CONGO

The Leopoldville negotiations between Adoula and Tshombé were recessed by the central government on 16 April. Adoula departed by riverboat for a "rest" tour of the provinces the following day, and probably will not return to Leopoldville before 24 April. UN representative Gardiner has informed Tshombé that he expects talks to resume no later than that date, and that Tshombé should come forth with concrete proposals at that time.

The central government's pique at Tshombé was dramatized by its action on 18 April in physically blocking his departure from Leopoldville airport. His aircraft finally left for Elisabethville on the morning of 19 April, after UN troops removed fire trucks which had been placed on the runway to prevent his departure. His freedom of movement had earlier been guaranteed by the UN Command.

It is unclear whether Tshombé --who charged Adoula with bad faith in recessing the talks-- will seize upon Adoula's action and upon the airport incident as reasons for breaking off negotiations. Back in Elisabethville, he spoke disparagingly of the central government, stating that the talks had not been broken off, because they had never seriously started. The ill-advised attempt to detain Tshombé reflects the central government's sensitivity to charges that Adoula is incapable of coping with the problem of Katanga's secession.

As of 17 April, Adoula and Tshombé appeared no closer to agreement than when the talks began on 18 March. Tshombé has indicated vaguely that, in return for a high degree of pro-

vincial autonomy, he is prepared to drop Katanga's claim to independence and to contribute to the national treasury. Adoula, in turn, came up with a constitutional formula which, while permitting Tshombé to retain half of Katanga's mining revenues, would centralize authority at Leopoldville to a degree unacceptable to Tshombé. Neither party has shown a disposition for serious bargaining. Gardiner has said that fatigue has made Adoula "irrational and irascible."

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There is increasing evidence that Tshombé's month-long absence from Elisabethville, together with the increasing frequency of incidents involving UN and Katangan troops, has increased tension in southern Katanga. A spokesman for Tshombé's Elisabethville supporters has reportedly urged that Tshombé return at the first opportunity in order to quiet anxiety and reassert his leadership. Word of Tshombé's treatment at the Leopoldville airport may inflame his supporters against the central government. There is no assurance, moreover, that the UN's intervention on Tshombé's behalf will materially alleviate the deep-seated hostility between his supporters and the UN Command.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

ARGENTINA

Renewed demands by top military leaders that President Guido take immediate steps to ban the Peronistas from all political activity and offices may exert pressure on Argentina's Chamber of Deputies to speed up a decision on the key problem of the Peronista electoral victories. Action has been delayed by divided opinion within most political parties and among the military, who seem increasingly impatient as the deadline for decision nears. The Chamber has extended its special session through 25 April. A Chamber committee is to pass on the seating of newly elected deputies by 26 April.

Elements of the Intransigent Radical Civic Union (UCRI) and the People's Radical Civic Union (UCRP) have been discussing a compromise formula which would afford a solution within constitutional bounds and lessen the chance of violence which the Peronistas threaten if banned from office on 1 May.

The formula calls for the 192-man Chamber of Deputies to seat the 47 new Peronista deputies and for the Peronistas to agree to the federal government's taking control of the nine provinces where neo-Peronistas won the governorships. Such federal intervention in the provinces is permitted by the constitution under the existing state of siege, but only the Chamber of Deputies can rule on its own membership. The UCRI and UCRP, which now dominate congress, do not wish to alienate possible future Peronista support by banning the

Peronista deputies. Moreover, they consider these deputies no real threat because, despite electoral losses, the two parties will still outnumber the Peronistas after 1 May--the UCRI with 74 seats and the UCRP with 56.

Differences over the Peronista question have delayed action in the lower house on the proposed amendments to the law on presidential succession which would permit President Guido to complete Frondizi's term and to postpone elections until late 1963. The Senate, which passed the amendments by a 35 to 0 vote, could override any Chamber modifications by a two-thirds vote and pass the bill into law, according to UCRI Vice President Lebrero. Lebrero's expectation of Chamber approval after Easter is supported by a UCRI position paper whose nine points on necessary political steps would allow room for negotiating the compromise formula. The proposals include the establishment of proportional representation and measures against totalitarianism--laws which the armed forces have been demanding.

The Peronistas have in the past suggested a variation of the compromise formula. They requested federal intervention in all the provinces where elections were held on 18 March, in order to make it appear that such action was not directed exclusively at the Peronistas. In the meantime, however, Peronista labor leaders have put their followers on alert for a general strike on 2 May. The armed forces have already strengthened security measures to deal with possible trouble.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****LAOS**

Vientiane leaders are continuing their efforts to develop an alternative solution to a Souvanna-led government. Sisouk na Champassak, acting foreign minister in the Vientiane government, has outlined to Ambassador Brown a new proposal which he said had "intrigued" General Phoumi. It calls for King Savang to assume direct control of the government, with Souvanna, Souphannouvong, and Boun Oum serving as vice premiers. The cabinet would be composed of an eight-member neutralist center group flanked by two four-member wings representing the Vientiane and Pathet Lao factions. Sisouk claimed that Phoumi had evinced a willingness to let Souvanna and another neutralist control the posts of defense and interior.

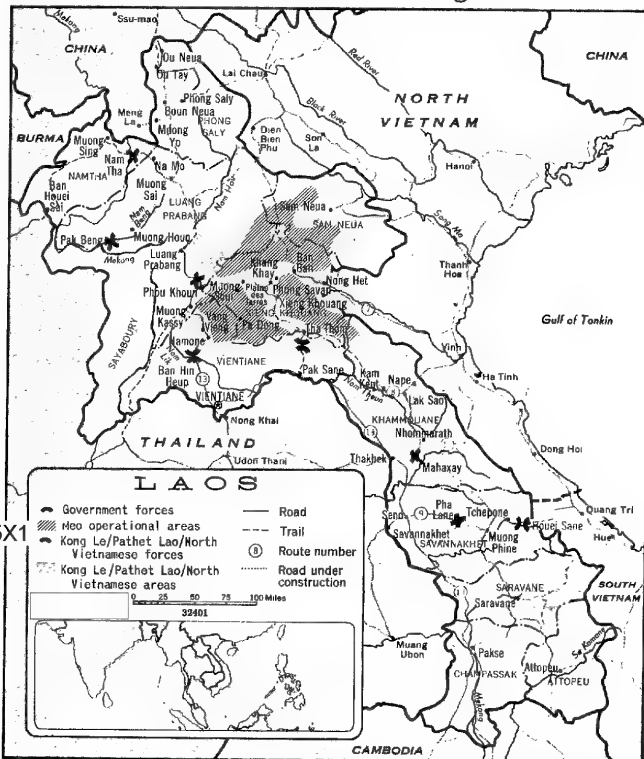
While this proposal would seem to indicate a significant

departure from Phoumi's previous inflexibility, his alleged interest in such a solution may be only a gesture at reasonableness designed to ease Western pressure and shift to Xieng Khouang the onus for blocking a settlement. Neither Souvanna nor Souphannouvong has found previous "king's solutions" acceptable, and without their acquiescence, Savang's willingness to play such a direct role remains doubtful.

Vientiane leaders are continuing preparations for dispatching "friendship missions" to various Asian nations in an effort to solicit support. A mission is scheduled to visit Thailand from 24 to 26 April, and South Vietnam the following week. The host nations--most of them heavily dependent on the US for economic and military aid--are unlikely to provide more than moral encouragement to the Vientiane leaders.

The siege of Nam Tha by anti-government forces continues. Elsewhere--north of Vientiane and near the southern towns of Saravane and Attopeu--Kong Le/Pathet Lao units have engaged in probing actions against government positions. Meo guerrillas of the Vientiane government have continued their harassment of enemy units in north-eastern Laos.

The Chinese Communists apparently are continuing work on the road from Meng La in Yunnan Province to Phong Saly. From the Chinese border the road now is basically complete as far as Muong Yo, some 20 miles southwest of Phong Saly.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

ETHIOPIA - SOMALI REPUBLIC

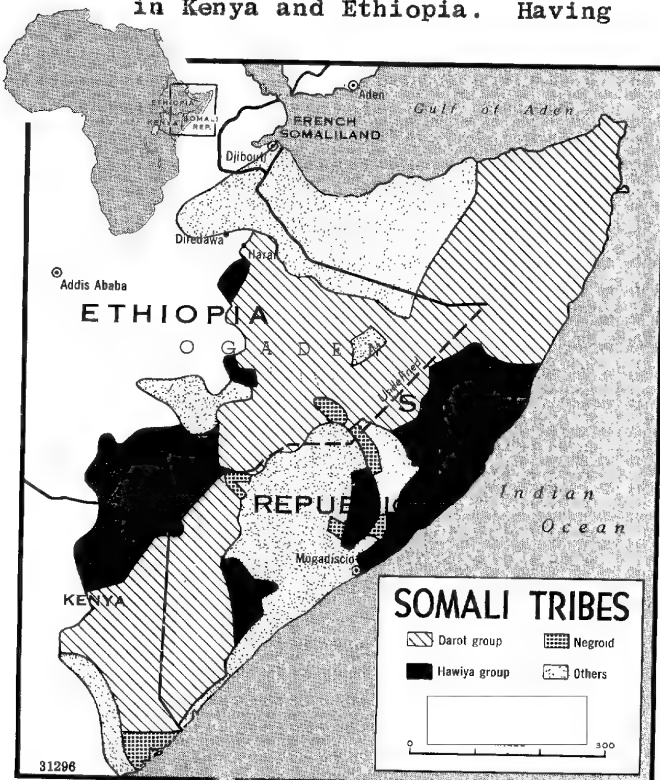
Relations between Ethiopia and the Somali Republic, always strained because of religious, cultural, and tribal differences, have sunk to a new low following several weeks of vitriolic propaganda broadcasts. The rising tension has increased the likelihood of fighting between Somali nomads and Ethiopian villagers which might be used by an Ethiopian troop commander as an occasion to strike at Somali targets across the border. Top government officials in both states appear to recognize the danger and to be trying to control forces in the border areas.

The tension stems largely from the recent actions of Somali Premier Abdirascid. Faced with a parliamentary crisis, the premier stirred up nationalist support by demanding the union of all ethnic Somalis with Mogadiscio--particularly those in Kenya and Ethiopia. Having

won his parliamentary victory, Abdirascid is likely to taper off the incendiary broadcasts. On 10 April he reportedly charged that Ethiopia was massing troops on the border and appealed to UN Acting Secretary General Thant to intervene. On 13 April, Under Secretary Bunche denied that the UN had received any such request, but he added that Thant would be willing to do "whatever he can."

Somalia's ground forces are inferior to Ethiopia's, and Mogadiscio lacks fighter aircraft.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

GUATEMALA

The deaths of four students following a clash on 12 April with military police has led to a renewal of the political crisis that nearly forced President Ydigoras' resignation during the antigovernment rioting in mid-March. Some professional and labor groups and the opposition-controlled municipal council of Guatemala City have joined in the demand, issued by the three main anti-Communist opposition parties on 14 April, that Ydigoras resign.

In an address broadcast late on 15 April Ydigoras rejected the demand, but his conciliatory tone and the concessions he offered suggest that he regards the present threat to his regime as more serious than last month's crisis. He promised that he will soon change his cabinet to assure good government during the remaining two years of his term, a promise which many Guatemalans will probably regard as tacit admission of the charges of corruption and ineptness which have, with considerable justification, been leveled against his administration.

Ydigoras also announced that he would postpone the visit to the United States he had planned for late this month and early May. In another move possibly suggestive of his concern, Ydigoras sent his

two children and their families out of the country on 16 April.

The present antigovernment campaign is spearheaded by a loose alliance of the main opposition parties: the moderate leftist and anti-Communist Revolutionary party, the small Christian Democratic party, and the rightist National Liberation Movement. Their tactics are based on the recognition that, in the final analysis, the armed forces will determine whether or not Ydigoras is forced to resign. Opposition leaders now appear to believe--probably accurately--that the armed forces will not weaken in their support for the President until and unless convinced that Ydigoras has lost popular support.

However, if these leaders encourage radically inclined students to engage in further demonstrations which might spread and provide the military with the "proof" of Ydigoras' unpopularity, they take the chance of unleashing serious violence from which the Communists would benefit. Communist and Communist-influenced groups are probably trying to gain the initiative from the anti-Communist parties in the antigovernment struggle. While Communist and Communist-influenced guerrilla activity has subsided since last month, it could be resumed at any time.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

EL SALVADOR

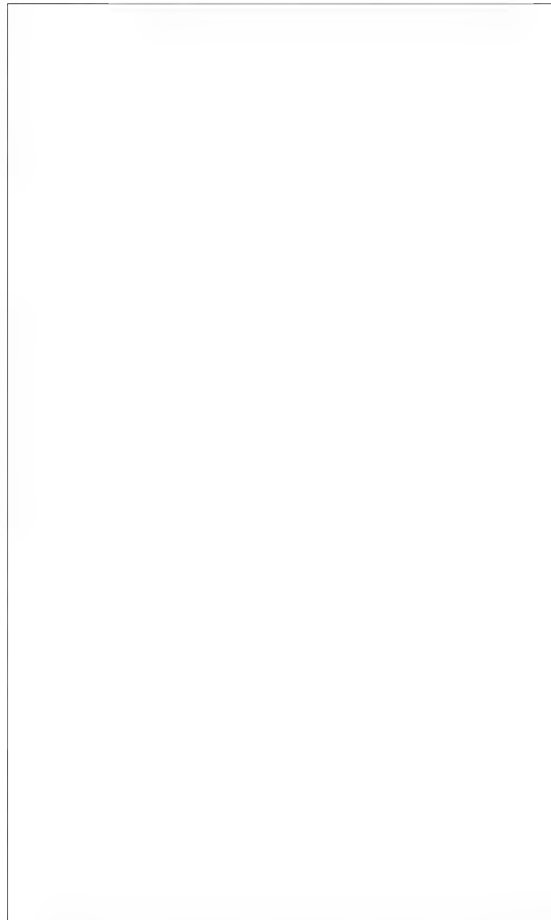
The presidential election set for 29 April is the culmination of efforts by an army-backed reform group to give El Salvador a constitutional government committed to social and economic improvement. Reforms are urgently needed in overpopulated El Salvador, where the gulf between rich and poor is probably greater than in any other Latin American country.

The reform group, now led by Col. Julio Rivera, has been in power since January 1961, when junior army officers removed a Communist-influenced junta which, with the help of ex-President Oscar Osorio, had ousted President Lemus in October 1960. The Rivera group rapidly initiated reforms to benefit the peasants and to establish government control in the complex and powerful coffee company and Central Bank, both instruments of wealthy power. It also created the powerful National Conciliation party (PCN) and last December held legislative elections considered the freest in Salvadoran history. The PCN candidates won all 54 seats in the assembly, which has revised the constitution and installed a provisional government. The 41-year-old Rivera now is the PCN presidential nominee.

As election day approaches, the PCN's overwhelming popularity has become a liability. All the opposition parties--convinced that they have no chance against Rivera, however

free the election may be--are boycotting it on the grounds that it will be government rigged.

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the US army attache believes Rivera retains strong support among the active military forces and the peasants, and it seems likely that he will take office as scheduled on 1 July for a five-year term.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

ECUADOR

President Arosemena continues under heavy pressure from both rightist military men and extreme leftists.

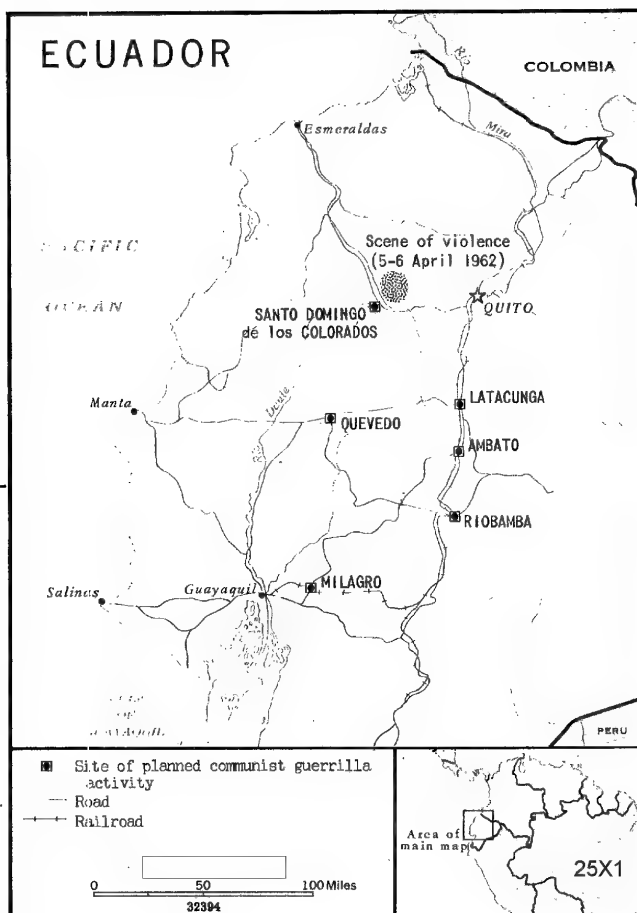
Since December the leaders of the armed forces have threatened to depose Arosemena unless he meets their demands--that he break with Cuba and that he expel the "Communists" from the national government and some provincial offices. They have not named specific individuals, but apparently include in their demand all leftists and even some nonleftist officials who press strongly for social reforms. Arosemena on 1 April discharged from his cabinet two non-Communist leftists as well as two conservatives who opposed the Alliance for Progress reforms he is pushing. Their replacements in turn have fired a number of leftists, but many suspect subordinate officials remain in all ministries.

The seventh congress of the Ecuadorean Communist party (PCE), early in March, resolved to abandon "peaceful" political action and to prepare for "Castro-type" guerrilla warfare. The abortive revolt of 5-6 April apparently was staged by the Communist-front Union of Revolutionary Youth (URJE), which the PCE has in the past used as shock troops in street fighting. This rising appeared to be the result of URJE impatience rather than part of coordinated PCE plans, which call for simultaneous outbreaks near several key rural crossroads.

Leaders of both the PCE and the URJE disappeared from their headquarters in the major cities shortly after the announcement of the diplomatic break with Cuba on 2 April. Most of them are still at large and have vowed to continue the struggle until the Arosemena

government is replaced by a pro-Communist administration.

Arosemena has prepared a comprehensive reform program for presentation to congress after the elections in June; meanwhile, he is pushing ahead with certain measures--such as the agrarian census--which can be accomplished by executive action. However, guerrilla tactics by the PCE and URJE will force the military leaders to take stronger measures for



maintenance of internal security,^{25X1}
and they may renew their threats
against Arosemena.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

KHRUSHCHEV AND THE SOVIET LEADERSHIP

25X6 Khrushchev, who was 68 years old this week, appears to be in generally fair health, but there are signs that advancing age and the rigors of high office have begun to slow him down.

ical maneuvering within the party presidium in preparation for a succession crisis. Khrushchev himself gives every indication of being in full command; speculation that he is still involved in a fight to maintain his position seems to be unfounded. However, there probably continue to be disagreements within the hierarchy over such questions as the proportion of economic resources that should be devoted to consumer goods and the pace and extent of liberalization in the wake of renewed attacks against Stalin.

When Khrushchev is away from the capital, party secretary Kozlov and Deputy Premier Kosygin seem to have the primary "caretaker" responsibilities for party and government affairs, respectively. Kozlov, however, does not receive the preferential treatment that might be expected for someone who has been designated first lieutenant and eventual successor.

It is still unclear how some of the responsibilities at the top are being divided since the personnel shifts at the party congress in October. This is particularly true in the ideological and propaganda fields, with Suslov, Kuusinen, Ilichev, and Ponomarev now all members of the party secretariat. Friction and jockeying in this area seem likely.

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The other leaders carry on quietly during Khrushchev's extended absences from Moscow, and as yet there has not been any noticeable increase in polit-

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SOVIET ECONOMY IN FIRST QUARTER 1962

Soviet industry continues to perform at a high tempo, with rates of increase little changed from a year ago, according to a TASS summary of the first quarter economic results. Industrial output reportedly increased over 9 percent, well above the pace needed to achieve the objective of the Seven-Year Plan (1959-65). The 5-percent increase in industrial productivity, although still below both the planned rate for 1962 and the Seven-Year Plan rate, marks some improvement over 1961. Investment and construction data, which during 1961 indicated possible future difficulties for the economy, are not included in the first-quarter summaries.

Of the major industrial sectors reported, only the machine-building and metalworking industry showed a drop in the rate of increase compared with a year ago. The change, however, was slight, and the sector is advancing at a rate well above plan.

Basic industrial commodities cited continued the general trend. Crude steel was the exception. Although the reported 7.4-percent increase is approximately adequate in terms of the Seven-Year-Plan goal, it is somewhat below the rate of increase planned for 1962. While there is no reason to believe that the lag cannot be made up during the remainder of the year, the performance of the first three months does reflect difficulties which the industry faces in installing new facilities and modernizing existing plants. Of 17 open-hearth furnaces to be completed by the end of 1961, only 13 were in

operation by the first of this March. Planning, technological, and equipment-manufacturing difficulties will continue to hamper expansion of the industry and achievement of the improved quality and variety of steel-mill products desired by Soviet planners.

Despite considerable attention and effort on the part of the Soviet leadership to improve lagging agriculture--seconded in recently announced May Day slogans which label farming a "shock front" of "all the people"--there is nothing in the quarterly report which as yet suggests priority allocation of resources to agriculture. Agricultural machinery was produced in the first quarter at a rate considerably short of the 1962 plan, although grain-combine production, the only equipment item specified, was approximately on schedule. Production of "some 4 million tons" of chemical fertilizer constituted only modest progress. Eventually both machinery and fertilizer production will have to be increased much more rapidly if Khrushchev's new program for planting millions of acres of beans, peas, and corn on land formerly cultivated in a grass-rotation program is to succeed.

Indications of the future of consumer welfare were mixed, but in general there has been little beyond the slight upward trend of recent years. Output of refrigerators and washing machines was approximately on schedule, but production of consumer durables in general is still far from meeting demand. Cotton fabrics production did not increase at all over the

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****USSR : ECONOMIC PICTURE**

| GENERAL INDICATORS (percentage increase) | FIRST QUARTER 1961 | FIRST QUARTER 1962 | 1962 ANNUAL PLAN | ANNUAL % INCREASE NEEDED FOR 1965 GOAL |
|---|-----------------------|-----------------------|---------------------|--|
| Industrial Production | nearly 9 | 9+ | 8.1 | 7.8 |
| Industrial Productivity | 3+ | 5 | 5.6 | 5.4 - 6.3 |

| SELECTED COMMODITIES | FIRST QUARTER 1961 | FIRST QUARTER 1962 | PERCENTAGE INCREASE | 1962 ANNUAL PLAN PERCENTAGE INCREASE | ANNUAL % INCREASE NEEDED FOR 1965 GOAL |
|--|-----------------------|-----------------------|------------------------|--|--|
| Crude Steel (million metric tons) | 17.4 | 18.7 | 7.4 | 8.7 | 7.9 |
| Petroleum (million metric tons) | 39.1 | 43.7 | 11.7 | 11.4 | 9.7 |
| Gas (billion cubic meters) | 15.2 | 19.9 | 30 | 18.8 | 20.0 |
| Electric Power (billion kilowatt hours) 62 04 17 | 72.7 | 81.9 | 12.6 | 11.9 | 12.3 |

first quarter of 1961, possibly reflecting the unwillingness of the regime to allocate additional labor to the industry after the shift of Soviet workers to a shorter workweek in 1960-61, or some effects of agricultural difficulties. The output of woolen fabrics increased somewhat but is below the Seven-Year-Plan rate.

A seeming hopeful sign for the Soviet consumer was the claimed 21-percent increase over 1961 in meat production at state slaughterhouses, but this increase is misleading: production during the first quarter last year was particularly depressed--only 87 percent of production during the first quarter of 1960. However, there are indications--primarily, larger herds--that total meat production in 1962 should increase somewhat above the level at which it has remained for the past three years. The livestock feed supply, however, remains the critical factor. Khrushchev's new crop program is intended to bring about a rapid improvement here, but its success will of course be largely dependent on the nature of the growing season.

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SOVIET BLOC OIL EXPORTS

The Soviet bloc exported more than 30 million tons of crude oil and petroleum products, valued at about \$500,000,000, to nonbloc countries last year. This quantity is a 25-percent increase over 1960. About 26 million tons--or 85 percent--of the bloc's total 1961 oil exports were supplied by the USSR, a share similar to that provided in 1960. Rumania accounted for almost 3 million tons.

All the crude oil--more than half the total exports--originated in the USSR. Soviet crude exports in 1961 were 6 million tons above those in 1960, reflecting the more rapid growth of production relative to refining capacity.

Exports by the bloc in 1961 filled about 3 percent of total nonbloc demand for petroleum. More than two thirds of these exports went to Western European countries, which as a group met about 9 percent of their consumption needs with bloc oil. Bloc oil shipments to Africa, Asia, and Latin America are growing, largely as a result of extensive imports by Egypt, Japan, and Cuba.

Italy imported over 6.6 million tons of bloc petroleum, or about 23 percent of its total domestic requirement; more than a million tons of this petroleum, however, was refined for eventual re-export to other countries. Similarly, about 600,000 tons of the more than

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CURRENT INTELLIGENCE WEEKLY SUMMARY

BLOC OIL EXPORTS IN 1961

| REGION AND COUNTRY | THOUSAND METRIC TONS | PERCENT OF DEMAND |
|----------------------|----------------------|-------------------|
| EUROPE | | |
| Belgium/Luxembourg | 515 | 6 |
| France | 984 | 3 |
| Germany | 2,791 | 6 |
| Greece | 1,128 | 45 |
| Italy | 6,628* | N.A. |
| Netherlands | 1,190** | negl. |
| UK | 117 | negl. |
| Denmark | 234 | 4 |
| Iceland | 340 | 92 |
| Portugal | 10 | 1 |
| Norway | 306 | 8 |
| Turkey | 39 | 2 |
| Switzerland | 50 | 1 |
| Austria | 1,050*** | 34 |
| Sweden | 2,461 | 19 |
| Spain | 77 | 1 |
| Finland | 2,310 | 88 |
| Yugoslavia (Trieste) | 68 | 4 |
| Total | 20,298 | |

MIDDLE EAST AND AFRICA

| | | |
|-------------|-------|------|
| Algeria | 59 | 3 |
| Guinea/Mali | 93 | N.A. |
| Lebanon | 12 | 1 |
| Morocco | 122 | 12 |
| Tunisia | 59 | 12 |
| Egypt | 2,239 | 45 |
| Syria | 253 | 23 |
| Yemen | 4 | 14 |
| Total | 2,841 | |

| REGION AND COUNTRY | THOUSAND METRIC TONS | PERCENT OF DEMAND |
|----------------------|----------------------|-------------------|
| ASIA | | |
| Afghanistan | 50 | 77 |
| India | 173 | 2 |
| Japan | 2,681 | 7 |
| Burma | 21 | 3 |
| Total | 2,925 | |
| LATIN AMERICA | | |
| Argentina | 15 | negl. |
| Brazil | 444 | negl. |
| Cuba | 3,932 | 100 |
| Uruguay | 24 | 2 |
| Total | 4,415 | |
| Grand total | 30,479 | |

*Includes crude oil to be refined for re-export on third-country accounts.

**Includes oil transhipped to other countries in Europe.

***Net imports of petroleum from the Bloc were 300,000 tons. Austria shipped a total of 750,000 tons of crude oil to Poland, Hungary, E. Germany, and Czechoslovakia on the USSR account in 1961, as part of Austrian reparation deliveries made to the USSR.

NA= Not available

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1.7 million tons of crude and products delivered to ports in the Netherlands were trans-shipped directly to other countries in Europe--chiefly West Germany; the rest entered the country in bond and probably was delivered to other European countries.

The USSR continues to stimulate oil sales through barter agreements with the developed countries. With the industrialized countries, the USSR exchanges petroleum for capital goods. The Soviet trade agreement with Italy, for example, provides for the sale of petroleum in exchange for large-diameter pipe and pipeline equipment.

Prices for Soviet petroleum are generally lower than world

market prices. In several instances, however, the USSR, after it had gained a market in an area, began to raise prices to correspond more closely to existing market prices. Under 1962 contracts with importers in West Germany, Belgium, and the Netherlands, the prices of gasoline, gas oil, and heavy heating fuel were about \$2.00 a ton over those in 1961. Similarly, in recent negotiations with Swedish importers, Moscow indicated it planned to raise prices.

Agreements with the chief nonbloc importers of Soviet oil suggest that bloc petroleum exports will rise again this year, possibly by as much as 10 percent to a new peak of 33 million tons.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

BURMA UNDER NE WIN'S MILITARY REGIME

Ne Win's military regime, now in its second month, has moved to replace all elective bodies by appointed officials responsive directly to central government orders. Parliament, the state governments, and most municipal administrations have been dissolved, and the independent judiciary replaced by an appointed court whose tenure depends on government approval. Few national policies have yet been changed, but the government is emphasizing discipline, efficiency, and austerity--qualities notably lacking in Burma under civilian rule.

The government itself has emerged as largely a one-man organization. With the exception of Brigadier Aung Gyi, Ne Win's second-in-command, the subordinates in the Union Revolutionary Council (URC) are weak men lacking the willingness to challenge his decisions. Ne Win is a narrow nationalist with a suspicious conspiratorial outlook, a short temper, and a tendency toward snap decisions. These factors give an unpredictable quality to the course of future government policies. Apparently distrusting all foreign nongovernmental activities, Ne Win has ordered the Asia Foundation and the Ford Foundation to wind up their activities.

The URC has invited the civilian political parties to rally to its support, but so far only the Communist-dominated

National United Front has complied. Other parties, fearful of being too closely identified with unpopular authoritarianism, apparently intend to remain silent until the regime has proven itself.

In the economic field the government, aside from rescinding U Nu's unpopular order nationalizing the import trade and, by indirection, driving down food prices, has taken little action. It is, like all previous regimes in Burma, dedicated to the development of a socialist system in which the private sector is assured a role.

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For the future, the chief danger to Western interests in Burma is that, despite its pledge to a neutral foreign policy, the Ne Win regime may drift unintentionally toward closer association with the bloc. Although its members are anti-Communist and fear ultimate Chinese domination of Burma, they also admire Chinese discipline. Moreover, if their only civilian political support continues to come from the pro-Communist NUF, they may reciprocate by building it up as the country's national party.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

FINLAND

The formation of a majority government in Finland under Ahti Karjalainen, 39-year-old foreign minister in the previous Agrarian minority cabinet and a protégé of President Kekkonen, provides the broadly based government which Kekkonen has desired. The new cabinet, which controls 112 of the 200 seats in parliament, consists of Agrarians, Conservatives, Liberals, representatives of the Swedish People's party, and three extra-parliamentary ministers from the Communist-influenced Central Confederation of Trade Unions (SAK).

Kekkonen was overwhelmingly endorsed by the electorate in the January presidential and February parliamentary elections. He has, however, wanted a majority government in order to demonstrate clearly--particularly to Moscow--that his policy of good relations with the USSR is firmly supported in parliament, as well as to make the cabinet less subject to pressure on domestic issues. He called for SAK participation in order to counterbalance the

Conservatives and to mollify the Soviets

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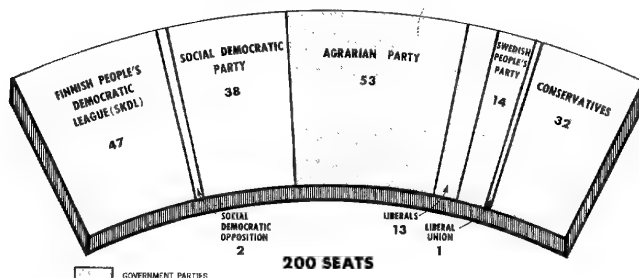
However, the three SAK ministers are Opposition Social Democrats (Skogists) and not Communists. By having SAK included, Kekkonen can counteract any claims by the Communist-front Finnish People's Democratic League (SKDL), the second largest party in parliament, that labor's interests are being ignored.

SAK participation in the government will impede reunion prospects for the regular Social Democrats and the Opposition Social Democrats. The latter lost most of their parliamentary seats in the February elections and hence might otherwise be disposed to patch up the old quarrel. The regular Social Democrats are still distrusted by the USSR, and Kekkonen is determined to keep them impotent and outside the government until the party purges its leadership.

The formation of this majority government further consolidates Kekkonen's control of Finland's political life and foreign relations. Nevertheless, there are elements of weakness in the new government because of strains and ill will between the dominant Agrarians and the more conservative parties in the coalition. The SAK representatives, moreover, will be under pressure from the controlling radical elements in their organization to pursue such aggressive policies as will demonstrate their protection of labor's interests.

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FINNISH PARLIAMENT
(FOLLOWING FEBRUARY 1962 ELECTIONS)

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CURRENT INTELLIGENCE WEEKLY SUMMARY

SPECIAL ARTICLES

SOVIET FLIGHT ACTIVITY IN BERLIN AIR CORRIDORS

With the cessation on 30 March of scheduled Soviet military transport flights in the Berlin air corridors and Control Zone, the USSR ended--temporarily, at least--its latest challenge to Western air access. Soviet use of the corridors, beginning on 8 February, was a carefully calculated probe of the West's determination to maintain the sole remaining means of access not subject to some degree of Communist control. Broadly speaking, the USSR was attempting to create a situation which would support Moscow's ultimate objective of changing the postwar status of Berlin and gaining at least de facto Western recognition of the East German regime.

In seeking to alter the existing arrangements in the Berlin Air Safety Center (BASC) and flight procedures in the corridors, Moscow attempted to establish its "right," ostensibly by agreement with the East Germans, to use the airways to Berlin on a basis of complete equality with the West and to underline its contention that all access to the divided city is by Communist sufferance. In this way, the Soviets hoped to supersede the original purpose of the three air corridors as channels for unrestricted Western access and to bring air access procedures more into line with those governing ground access. The flights were staged in such a way as to make the corollary demands which the Soviet element in BASC was making for changes in traffic control procedures appear reasonable or, where

necessary, to force Western acquiescence to those demands in the interest of "flight safety."

Cautious Approach

There is no evidence that Moscow intended to provoke a serious incident. The flights took place during the midwinter lull in air passenger travel to Berlin, when the three Western commercial carriers which operate in the corridors--Pan American, British European Airways, and Air France--annually cut back their regularly scheduled flights. From the outset on 7 February--when the Soviet controllers at BASC "reserved" for three and a half hours the following day all altitudes in the southern corridor up to 7,000 feet, below the level normally flown by the commercial carriers--the Soviet flights were designed to minimize the risk of incidents. They were flown at altitudes below those favored by Western commercial carriers, or according to "flight plans" filed in BASC by the Soviets far enough in advance to pre-empt use of certain altitudes normally used by commercial flights.

When conflicts in scheduling did occur, the Soviet controllers refused to signify their willingness to guarantee the safety of the Western flight in question, and in practice the three Western carriers vacated the contested altitude in favor of the Soviet flights. This, together with time and altitude separation between planes in

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CURRENT INTELLIGENCE WEEKLY SUMMARY

the corridors, tended to lessen the likelihood of collisions between the Soviet transports and the faster moving Western civil and military aircraft.

At all times the Soviet controllers in BASC maintained telephone contact with their headquarters at Karlshorst and presumably arranged to exchange pertinent flight information with the East German traffic control center at Schoenefeld airfield south of Berlin.

Later, however, the Soviets did seek to monopolize the area in which they flew by spacing a relatively few low-performance transport aircraft at altitudes and times which could have posed a hazard to Western flights between 7,000 and 10,000 feet.

Flight Patterns

There seems to have been little day-to-day consistency to Soviet flights, although generally the Soviets seem to have flown under optimum weather conditions, when visual flight rules were in effect; on at least two days, unfavorable weather probably contributed to cancellation of their flights at the last moment. They flew four transports in the northern corridor during the hours of darkness for the first time on 16 March, scheduled evening flights only twice after that, and canceled such flights on 30 March.

Training flights by Soviet tactical bombers, fighters, and transports near and across the Berlin air corridors above and below the altitudes normally used by Western planes are routine. Before 8 February, however, Soviet flights through the corridors--even at those lower altitudes which are used rarely and only as a matter of convenience by Western flights--had not been noted for several years. During the period 8-20 February, the Soviets seven times "reserved" all altitudes up to 7,000 feet in the central corridor and 7,500 feet in the northern corridor, and the Soviet controllers at BASC refused to provide

the Western controllers with detailed information on specific flights. It is not clear how many transports or other Soviet aircraft were active in the corridors during this period, although there is evidence that transports did fly on at least two occasions.

At the same time, non-hostile identification passes by Soviet fighters against Western aircraft--noted occasionally in the past--increased markedly, becoming particularly aggressive on 15 February, when Western pilots reported "near misses" and a Soviet fighter signaled an Allied transport to land in East Germany.

New Soviet Demands

Late on 15 February, the chief Soviet controller in BASC demanded that henceforth all civil flight plans be filed 24 hours in advance and include estimated times for crossing the East - West German interzonal border, and that Western planes not deviate from the altitudes submitted in their flight plans. To underline these demands, which implied that Western flights were subject to Soviet and/or East German authorization, the Soviet BASC controllers began that evening to refuse to initial southern-corridor flight plans which did not contain estimated border crossing times. This refusal still applies to this corridor, for which the US BASC controllers are responsible.

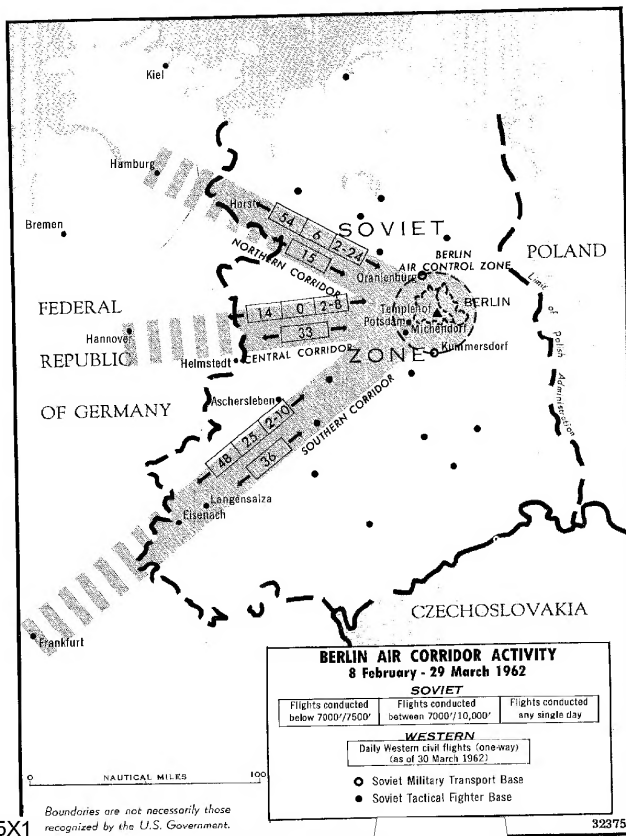
On 16 February, the Soviets, perhaps uncertain as to what the Western response to their new demands would be and mindful that further "near misses" in the corridors could lead to a serious incident or the use of armed escorts for Western commercial flights, canceled their "reservations" for the day with the comment that they had completed that phase of their operations in the corridors.

The following day, the Soviet Foreign Ministry responded to Western protests over the corridor flights by asserting that

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CURRENT INTELLIGENCE WEEKLY SUMMARY



there were no legal grounds for Western objection to Soviet flights for which "plans" were filed, the next step was for the Soviets to increase gradually the number and extent of their corridor operations to the point where they were again pre-empting whole blocks of airspace.

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Flight Statistics

The Soviets filed "plans" for and carried out military transport flights in one or more of the three corridors for several hours a day on 27 occasions in six weeks.

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there are no "documents" which give the Allies unrestricted air access to Berlin or the right to control flights within the corridors. The note maintained that Soviet corridor flights were provided for by bilateral Soviet - East German agreements and not governed by the rules of the Berlin Air Safety Center. The note implied that the Soviets participated in BASC only as a means of preserving flight safety, and it seemed to raise the possibility that they would withdraw from the center if the Allies failed to meet their demands.

New Phase

Soviet corridor operations entered a second phase on 19 February, when the Soviet controllers in BASC supplied "flight information" or "plans" for transport flights to take place the next day. Since

However, it was not until 12 March, when the Soviets sent four transports through the southern corridor, that they operated in the altitudes reserved by usage to Western commercial flights. Subsequently they flew as many as six transports at a time at altitudes above 7,000 feet on six days.

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